

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7076

BILL NUMBER: HB 2131

DATE PREPARED: Jan 19, 2001

BILL AMENDED:

SUBJECT: Enterprise Zones.

FISCAL ANALYST: Brian Tabor

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FUNDS AFFECTED: X

X

**GENERAL
DEDICATED
FEDERAL**

IMPACT: State

Summary of Legislation: This bill provides that if an Enterprise Zone (EZ) business does not file the required verified summary of tax credits and tax exemptions claimed during the preceding year before the June 1 deadline and does not file for an extension, the Zone business waives those credits and exemptions unless it pays, before July 16, a penalty equal to 15% of the credits and exemptions provided during the preceding year. The bill also specifies that high technology business operations are eligible for a 5% Enterprise Zone Investment Cost Credit.

Effective Date: July 1, 2001; January 1, 2002.

Explanation of State Expenditures: The Department of State Revenue (DOR) will incur some administrative expenses related to the revision of tax forms, instructions, and computer programs to make changes regarding the EZ Investment Cost Credit. These expenses could be absorbed given the DOR's existing budget and resources.

Explanation of State Revenues: *Penalty for late filing:* Current law provides that if a business does not file a summary of the Zone-related tax credits and exemptions claimed in the preceding year with the state EZ Board and the local Urban Enterprise Association by a certain date, the business must then waive these incentives. (However, an extension may be requested.) This bill provides that if a Zone business misses the deadline and does not file for an extension, it must pay a penalty equal to 15% of the incentives claimed by the Board in order to receive any EZ credits or exemptions.

The amount of revenue that would be generated through this penalty is not known, but would ultimately depend on the number of late filers. Penalties would be deposited in the state Enterprise Zone Fund administered by the Indiana Department of Commerce (IDOC). The balance of this fund as of January 2001 is approximately \$570,000.

Investment Cost Credit: This bill also allows the existing EZ Investment Cost Credit to be taken for investments made in high technology businesses. Under current law, this credit is available to taxpayers making a purchase of ownership in a business located in a Zone. If the purchase is deemed eligible after review by IDOC, the taxpayer may receive a credit equal to the investment multiplied by a certain percentage. The percentage applied varies based on the

business sector in which the firm is engaged, the number of jobs created, and the amount of the investment. The total percentage may not exceed 30%.

This bill allows an investor in a high technology business to receive a 5% EZ Investment Cost Credit. Current law provides a 2% credit for retail, professional, and warehouse/distribution operations and a 5% credit for manufacturing businesses. High technology businesses are defined as those having research expenses in advanced computing or materials, biotechnology, electronic device technology, environmental technology, and medical device technology.

The amount of any additional tax credits associated with this bill is unknown, but the impact could begin in FY 2003. From CY 1997 through CY 1999, the IDOC approved more than \$844,000 in EZ Investment Cost Credits. If these credits exceed a taxpayer's liability in a given year, the excess may be carried forward. No carrybacks or refunds are permitted.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue, Indiana Department of Commerce, Enterprise Zone Board.

Local Agencies Affected:

Information Sources: Leslie Richardson, Director, Division of Research, Indiana Department of Commerce, (317) 232-8962.